

# **2002 Fourth Quarter Progress Report**

GBTI Task Order No. 845

October 1 – December 31 2002



*Privatization Implementation Project  
With the Government of Egypt*

Implemented by IBM Business Consulting Services  
Funded by USAID

*This request is submitted by IBM Business Consulting Services (IBM), successor-in-interest to the business and operations of PwC Consulting, formerly a business unit of PricewaterhouseCoopers LLP. Novation of this contract to IBM is pending.*

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## INTRODUCTION

The purpose of this document is to report activities and progress towards achieving benchmarks as required by Section 1.4 of GBTI Task Order 845. The Privatization Implementation Project (PIP) for the Government of Egypt is a follow-on activity to the Privatization Implementation Project that began July 1, 2000 and terminated September 30, 2002, which was also implemented by IBM. The current PIP began on October 1, 2002 and continues through April 30, 2003, with an option to extend to April 30, 2004.

The following provides details on the activities by tasks to include past and future actions and a summary of activities by task; the progress toward reaching the benchmarks and the goals for the next two quarters; a list of the deliverables during the quarter; and a list of team members and tasks assigned.

## TASKS

Below is a summary of the activities performed under each of the four tasks in the Task Order Statement of Work: (1) transaction support; (2) general policy and advisory assistance; (3) public awareness, political advocacy, and constituency support; and (4) monitoring and reporting on public enterprises and privatization. These activities represent a summary of the project's efforts during the fourth quarter of 2002 towards successfully achieving the benchmarks required by the end of the first quarter of 2003 as established in the Task Order.

### **Task One: Transaction Support**

During the fourth quarter 2002, PIP provided specific transaction support toward the efforts to privatize three companies (Cairo Far East Bank (CFEB), Misr-Iran Textiles (Miratex) and Alexandria Refractories) – refer to Figure 1 and Figure 2 for more details below. As required in the Task Order, this assistance was carried out under an approval by the CTO and the PEO obtained during October 2002. The results of our efforts include information memoranda for two of the three companies, CFEB and Miratex, as well as an information memo, company profile and valuation for Alexandria Refractories.

#### **Highlights – Task One**

Four transactions closed during the fourth quarter with an estimated value of LE 217 million.

*Next quarter* – one transaction anticipated to close estimated at LE 50 million.

PIP also provided limited advice and promotion work to the Ministry of Industry and Technology (MIT) relating to the Abu Tartur Phosphate Project. For Abu Tartur PIP developed a project profile, provided advice and assistance in preparing a detailed information memorandum, advised on promotion strategy and promoted the project with fifteen potential offshore lessee/investors and sixteen foreign embassy commercial attaches. According to the MIT, approximately LE 8 billion (including capitalized interest) has been invested in the project to date.

Overall, PIP also engaged in numerous activities providing general transaction support to the Public Enterprise Office (PEO), Law 203 holding companies (HCs), and the joint venture (JV) shareholders in their efforts to privatize, including:

- A major policy change occurred during the third quarter 2002, which impacted transactions relating to Task One. At the request of the Ministry of Public Enterprise (MPE), the Highest Ministerial Committee approved spending up to LE 2 million for retainer fees for investment promoters. This is the *first time* during the ten-year history of the privatization program that there has been a policy approved to pay investment promoter retainers. The retainer fund will be administered by the Public Enterprise Office (PEO), rather than the HCs, and will be replenished by proceeds of offerings as a normal transaction cost. Importantly, since the fund is administered by and is under the control of the PEO, it will enhance the PEO's role in the privatization process, a significant issue in Egypt privatization. The first employment of these funds will be to promote companies designated for the "privatization by capitalization" plan outlined later in the discussion concerning general policy advice. In connection with this new fund, PIP:

**Highlights – Tasks One and Two**

LE 2 million fund to pay investment promoter retainer fees approved by Cabinet – enhances PEO role

*Next quarter* – Three investment promoters retained

- Provided advisory support to the PEO in its effort to contract with local investment promoters (IPs) for the divestiture of HC affiliates with respect to strategy, development of terms of reference and pro forma contract, bid selection criteria, and process for evaluating bids. There were a series of meetings with IPs including the Egyptian Capital Markets Association and individual IPs in which PIP participated to explain the goals and general technique of re-capitalization. Following these meetings, the PEO and HCs short-listed IPs for the promotion of eight specific companies. During the next quarter, PIP will be providing assistance to each Holding Company to assess and rank bids submitted by IPs. Refer to Deliverables Task Two for details on the documentation provided.
- A Prime Ministerial Decree (No. 1502/2002) issued during the last half of 2002 provides for the administration of privatization of all joint ventures in which a Law 203 HC or affiliate owns an interest. This decree will enhance the management of such JV privatizations by giving primary responsibility to the MPE and its PEO. PIP in the past has recommended centralization of administration of the privatization process as a means to improve the performance of the privatization program. Consequently,
  - In order to assess the potential impact of the decree, PIP undertook to identify Law 203 investments in JVs. The result showed that Law 203 companies hold investments in at least 69 JVs. Some JVs have more than one Law 203 affiliate as investors. The analysis was given to the PEO to start contacting the holding companies for the sale of the public share. Since there are some 177 Law 203 companies remaining to be privatized, the addition of at least 69 JVs to the MPE portfolio will increase the number of remaining firms for which the MPE/PEO has responsibility by approximately 39%. This is a significant addition to the MPE-administered portfolio.

**Highlights – Tasks One and Two**

Certain JV Privatization Authority provided to MPE thereby increasing companies under MPE responsibility by 39% (at least 69 companies) – enhances MPE role

*Next quarter* – Tender one JV under MPE authority.

- Furthermore, in order to improve the marketability of privatization candidates, PIP updated the financial database of Law 203 companies for FY 2001/2002. The database shows the number of employees, salaries, revenues, net profit, and total debt, as well as data to rank the affiliated companies in each holding company in terms of the return on sales. PIP's analysis of this data will help identify the most attractive and profitable Law 203 affiliated companies to be offered to investors.
- Another favorable decision impacting the privatization program was a decision by the cabinet to support the pricing of certain problem assets (loss-making and marginally profitable Law 203 companies) at an adjusted book value based on agreed principles (e.g. land would be revalued according to the price of land in the nearest industrial zone.) This valuation policy will avoid the long delays caused by having formal market valuations approved by relevant authorities. The adjusted book value pricing will be employed when issuing new shares (including using the "privatization by capitalization" technique, which may include other arrangements to enhance the attractiveness of the investee, such as removing debt the balance sheet).
- PIP also assisted the PEO in its consideration of candidates for the "privatization by capitalization" technique. As the process developed, the PEO and the HCs chose eight loss-making or marginally profitable companies for the new issue campaign ( see box insert task two.) PIP has had numerous discussions with the PEO relating to this privatization technique, and has been in the process of assessing the financial and business circumstances of each candidate company to assure that balance sheet structures are developed that will enhance success of the offerings.
- Additionally, PIP took the initiative to encourage the Housing, Tourism, and Cinema Holding Company (HT&C) to identify assets to be offered to Gulf investors, among others. The HT&C HC responded with a list of twenty assets and has offered to participate in a Gulf investor conference in Abu Dhabi during the first quarter of 2003.
- PIP successfully recommended to the PEO to list on its website and on PIP's website only Law 203 and JV companies that have been identified as candidates. Currently, all Law 203 companies are listed on the MPE website, without identifying those that have been identified as sale candidates. The next step for the PEO and HCs is to identify those companies in the Law 203 portfolio that for policy reasons are *not* candidates for sale at this time.

Assistance to the companies listed in Figure 1 has been on going and continues from the previous task order. PIP began providing assistance to the Banque du Caire (BdC) for divesting its interest in Cairo Far East Bank in October 2000 and although progress towards negotiating a sale has not been reached, we are optimistic about the BdC's efforts.

**Figure 1:** Status of companies approved for specific transaction assistance

Ref	Company Name	Activity from	Activity to	Months with activity	Status
1	Cairo Far East Bank	Oct-00	Dec-02	27	Representatives of two potential investors undertook preliminary due diligence but have not followed up with further discussions. As a result of the devaluation of the Egyptian pound, renewed efforts will be made to interest these investors. BdC currently has a one-year agreement from the Korean shareholders to negotiate the sale of the bank on their behalf; this agreement should run through the first quarter of 2003. PIP has also provided marketing and investor outreach assistance to the BdC for the sale of this bank.
2	Alexandria Refractory	Jul-02	Dec-02	6	The HC for Metallurgical Industries requested a valuation and information memo for the company. During quarter, PIP completed a company profile and is in the process of collecting data on the company to complete the valuation report.
3	Misr Iran Spinning & Weaving ("Miratex")	Jan-02	Dec-02	12	Both the Egyptian and Iranian shareholders are willing to sell their shares. PIP has updated the valuation and information memorandum. PIP has prepared the company's fact sheet, diagnostic report, company profile, info memo, valuation report, and part of the data room.

**Figure 2:** Transactions closed from July – December 2002

During the fourth quarter and the transition period between task orders, the GOE closed five transactions. For the purposes of this report, we included four transactions for a total of LE 217 million (LE 226 – LE 8.5 million).

Type	Company Name	Method	Buyer	Date	Value LE million
Law 203	Cairo Metallurgical Products – Shobra Armenian Factory	PA	Alexandria Investment Co.	Jun-02	8.5
Law 203	Alex Cooling	Liquidation	-	Aug-02	33.0
Law 203	National Plastic Company – liquid batteries factory	PA	United Batteries Co.	Nov-02	1.2
Law 203	National Plastic Company – bags factory	Lease with purchase	-	Nov-02	2.0
JV	Gezira Sheraton Hotel*	Shares	ACCOR Co.	Nov-02	181.3
					226.0

### Activities planned for the next quarter – Task One

- Assist HCs with its efforts to evaluate, rank, and select investment promoters
- Prepare and implement road-shows in Egypt and the Gulf region (Abu Dhabi) along with the PEO, HCs, and IP

- Follow-up with marketing and promotional efforts with donor agencies, embassies, chamber of commerce (American, British, French, and Japanese), business associations, and ministries (Agriculture and Tourism)
- Support efforts by the HCs and affiliates to prepare promotional and other documents (deliverables to include information memorandum, company profiles, and valuations)

### **Task Two: General Policy and Advisory Assistance**

PIP provides general policy and advice to support the Government of Egypt's (GOE) privatization program. This task is intended to strengthen the decision-making process and to promote market-based valuation and privatization criteria and has been lead by a short-term US expatriate specialist in privatization policy.

- **Strengthening the privatization decision-making process and enhance transparency**

As noted above, a significant development in the fourth quarter relating to this Task Two was the approval of "privatization by capitalization" by the Highest Ministerial Committee (or the Cabinet). This technique provides for the sale of new shares in certain weaker affiliates at adjusted book value in consideration of new investment in the affiliate. Subject to negotiations, the new shares issued will result in the investor attaining a majority stake or even, in some cases, a stake approaching 76%. Following the issue of new shares, in most cases the government (through the holding companies) intends that its current shares will comprise less than 50% of total shares following the new issue, and envisions that its remaining shares would increase in value as a result of the new investment and other benefits that a new investor, putting his own money at risk, would bring. While the concept is general, application is case-sensitive; thus the concept will be tested as it is applied in individual cases of which eight have been proposed by the PEO.

It is significant that the Ministerial Committee recognizes that in many cases new investment in an affiliate is far more important than the price the holding company receives for its shares. This will be true for most low profitability or money-losing affiliate companies.

Nevertheless, some refinements of the technique will likely prove necessary in practice. As currently conceived, "privatization by capitalization" relies upon adjusted balance sheet calculations to derive share prices that will be fixed in a tender. The adjustments – principally land revaluations, debt reductions, and current asset adjustments – are being undertaken to bring book values that are often negative

#### **Highlights – Tasks One and Two**

Privatization by Capitalization technique approved by Cabinet to include valuation at adjusted book including debt resolution

*Next quarter* – Tender two Law 203 companies for new capital issue

#### **Highlights – Tasks One and Two**

Eight companies identified for privatization by capitalization:

NEEASAE, Automotive Engineering, Narubin, SEMAF, Dyestuffs & Chemicals, EDFINA, El Mahmoudya Spinning & Weaving, Kom Hamada Spinning & Weaving



for these distressed companies to at least the level of paid-in capital. There is no a priori reason to believe that such book value calculations will normally produce share prices that are acceptable to investors seeking cash flows yielding an adequate return on investment or will generate new capital that corresponds to the needs of the enterprise. However, carefully crafted and negotiated balance sheet structures could result in attractive investment opportunities, assuming there is flexibility on the part of the PEO and Holding Companies in this regard.

Relating to this Task Two, PIP:

- Developed and advocated strategies to compensate private sector investment promoters, including a draft tender document and a draft contract.
- As requested by the PEO, prepared and submitted a paper addressing concerns raised by privatization opponents relating to anti-monopoly and predatory pricing, recommending policy implications. Specific considerations relating to recent public concerns about foreign investment and control in the cement industry were also provided.
- Prepared and submitted to the PEO a paper addressing issues relating to valuation and pricing and containing policy recommendations.

### **Deliverables – Task Two**

The following written presentations were prepared during the quarter.

Title
Draft contract for investment promoters was provided to the PEO for consideration. A concise contract laying out the services to be performed and the conditions of remuneration was proposed.
Comments on draft tender documentation for investment promoters. PIP advised that the draft was too long and complex for the size and nature of the proposed investment promoter contracts
Criteria for selection of investment promoters. Criteria were outlined and provided to the PEO, with an expressed preference for a subjective ranking over an attempt to impose a numeric formula on an inherently subjective process.
Valuation and pricing paper, with particular attention to use of investment promoters in the sale of distressed companies. Emphasis is placed on the importance of avoiding confusion between assessing value (necessarily subjective) and negotiating price.
Competition policy paper on issues relating to privatization (using cement industry example). The PEO expressed concern that influential elements (press and government) were suggesting that monopolistic practices among privatized firms (e.g. “predatory pricing”) were leading to suggestions that government should retain shareholdings in privatized companies. The PEO suggested that regulation was an appropriate response to the critics. The paper, presented in draft to the PEO in December, is sympathetic to anti-collusion measures but discourages pricing regulation; and it expressed concern that enforcement limitations or imprudent drafting could result in abuse -- the use of the law to undermine rather than promote competition.



### Activities planned for the next quarter – Task Two

- Propose refinements to the privatization-by-capitalization concept, resolving important valuation concerns. Sound valuation principles to be applied case-by-case to companies being offered for sale by the PEO/HCs according to the privatization-by-capitalization method.
- Update and complete draft report on valuation and pricing. This report will be presented to the PEO.
- Develop a concept to promote companies en masse by sector – a sectoral approach to privatization, with particular attention to the textile sector.
- Quantify the cost of not privatizing, particularly in the cases of weaker candidates.
- Continue efforts to improve the program to engage investment promoters.

### **Task Three: Public Awareness, Political Advocacy, and Constituency Support**

The project exceeded its expectations with respect to convincing the GOE about the importance of an effective public relations (PR) campaign to revitalize the privatization program. Although PIP anticipated some level of opposition, the PEO and the MPE have been the project's most vocal advocates for the PR initiative.

- PIP designed a public awareness program in consultation with the PEO where the PEO accepted and advocated the importance of the initiative to the MPE. The key to gaining acceptance was not only to have the PEO participate in the planning process at the beginning stage but also to keep an openness and willingness to listen and bridge the gap between expectations of PIP and the PEO. Compromising required careful negotiation with the PEO on how a strategically designed and implemented public relations campaign would benefit the privatization program. As such, PIP drew on a proven approach that was successfully implemented for the Croatia privatization program being implemented by IBM, which incorporates a targeted media campaign and skillful implementation and follow-up. A work plan will be presented to the PEO as well as the MPE during January 2003.
- PIP advised AmCham-Egypt on its initiative to develop an eight-series television series on privatization. PIP had a series of discussions with AmCham-Egypt to help shape the series, which can be beneficial to the privatization program. The first episode should be taped and aired during early February 2003, and focus on the general status of privatization in Egypt. The suggested topics for the remaining seven episodes are subject to change and include: economic impact of privatization; privatization and labor; success and misfortunes of privatization; privatization with telecommunications; impact of privatization on FDI; privatization and capital market development; and the future of privatization.

#### **Highlights – Task 3**

High Level Public Relations plan presented to PEO with general buy-in from Minister of Public Enterprise.

*Next quarter* – Plan specifics rolled out

**Activities planned for the next quarter – Task Three**

- Develop and present a detailed work plan to the PEO/MPE during January 2003. Based on the results of the presentation, develop a campaign (seminars/groups, targeted news print, and television), using the results from the focus groups, and present to the PEO for concurrence.
- Conduct focus group discussions to assess perceptions about privatization with various representatives within the Egyptian community to include journalists, HC representatives, the PEO, Members of Parliament, union representatives, and companies that have successfully, as well as not so successfully, privatized. Analyze data and incorporate results into work plan.
- Meet with local media production companies and select a qualified company to implement PIP's intended PR approach. Also, along with the PEO, negotiate a possible reduction in production and aired rates.
- Continue working with AmCham-Egypt with its eight-series television program on privatization to provide advice on topics and content as well as suggesting key speakers.

**Task Four: Monitoring and Reporting on Public Enterprises and Privatization**

During the quarter, PIP provided limited monitoring and reporting of privatization activities for public enterprises to include:

- Developed and launched a website ([www.egyptpip.com](http://www.egyptpip.com)) with the purpose of promoting privatization and its events to include companies being offered through the PEO, activity reports of the program, summarized newsprint articles, and limited historical information of the privatization program.
- Prepared and posted a quarterly privatization program report to its website for the period July to September 2002. A report for the fourth quarter is currently being finalized and should be posted before Feb-6-2003.
- Prepared and disseminate more the 400 summaries of articles in local newsprints that focused on privatization topics to include the MPE, PEO, HCs and its affiliates, as well as industries and sectors, such as banks and insurance companies.

**Activities planned for the next quarter – Task Four**

- Redesign the format presentation of transactions in the quarterly privatization program report. The current format is broken into two sections segregating the activities of Law 203 and JV companies as well as the type of privatization. The change will combine these activities into one presentation format, which should reduce the ambiguity between majority and minority as well as JV transactions.
- Prepare and disseminate fourth quarter privatization program report for 2002.
- Update website design based on comments received from users (USAID, IBM, PIP, and the PEO) and continue to post new content.

**Deliverables – Task Three**

Type of deliverable	Title
Report	2002 Third Quarter Privatization Program Report
News articles	Summary of more than 400 newsprint articles from Al Ahram, Al Ahram Weekly, Al Akhbar, Al Alam Al Youm, Al Gomhorya, Al Wafd, and Benou Al Youm.
Website	Developed and launched project internet website at <a href="http://www.egyptpip.com">www.egyptpip.com</a>

**SUMMARY OF ACTIVITIES BY TASK**

This table provides a summary of the activities by task during the fourth quarter and activities planned for the next quarter.

	4th Qtr 2002	Next Qtr
<b>Task One: Transaction Support</b>		
<b>1.1</b> Provide <u>specific transaction</u> assistance including: marketing/promotional assistance, advertising, international road shows, valuation assistance, data rooms, company profiles, information memoranda, prospectus, legal and bid documents – approved in advance on a case-by-case basis up to thirty transactions.	3 companies on the list and deliverables provided – refer to deliverables section	Request to add ten or more companies on the list and provide at least one deliverable for each company
<b>1.2</b> Provide <u>general transaction</u> support: prepare quick diagnostics, financial analyses, and sector studies on the remaining public enterprises to identify strategic privatization opportunities - at varying levels of analysis, ranging from calculation of basic financial and operational ratios to more in-depth examination of the company.	Reviewed 178 Law 203 and more than 79 JV companies	Review the remaining JV companies (539 - 79 = 460)
<b>1.3</b> Provide <u>general transaction</u> support: advise on, guidance, and limited training to the PEO, HCs, and JV shareholders on how to develop tenders, fact sheets, company profiles, information memoranda, data rooms, valuations, and bid documents.	Provided support to HCs, affiliates, and the PEO with fact sheets, tenders, company profiles, and valuations – refer to deliverables	Continue to provide informal training to HC and affiliates
<b>1.4</b> Provide <u>general transaction</u> support: advisory assistance to the PEO, HCs, and JV shareholders to help them procure the services of investment promoters on a fee basis - develop guidelines before the end of 2002 for selecting and hiring investment promoters, review promotional plans, and monitor progress.	Provided technical assistance with the procurement process and selection of investment promoters	Assist HCs/PEO select IP for eight Law 203 companies identified for privatization
<b>1.5</b> Provide non-transaction-specific promotional support (marketing campaigns and road shows) that advances the general goals of the privatization program or specific sectors, especially as they support the individual activities of investment promoters working on specific transactions - also, provide a list of possible international, regional, and local investors for all cases in which an investment promoter has been retained.	Met with 24 potential offshore leasee/investors and 13 foreign embassy commercial attaches for Abu Tartar Phosphate  Discussed and drafted work plan for road-show in Gulf during next quarter	Meet with local business (private and public) associations to identify potential investors to include embassies  Road-show scheduled for early March in the Gulf along with the IPs, PEO, and MPE

	<i>4th Qtr 2002</i>	<i>Next Qtr</i>
<b>1.6</b> Provide <u>general transaction</u> support: monitor the strategic importance and sectoral impact of transactions, particularly the size and the role of a public enterprise to be privatized, and the impact of privatization on the sector.	Identified and collected data on public enterprise companies in 27 identified sectors; information being analyzed	Complete draft report on analysis of Law 203 and JV companies by sector
<b>1.7</b> Provide <u>general transaction</u> support: track/report all Law 203 and JV privatization pipeline activity as measured by the number of tenders and offers, bidders purchasing bid documents and conducting due diligence, and bids received.	On-going	Continue to monitor
<b>Task Two: General Policy and Advisory Assistance</b>		
<b>2.1</b> Examine the legal, financial, and economic feasibility of recapitalizing companies through capital increases offered to the private sector – alternative options that consider the total value of a proposed privatization transaction, such as explicitly valuing the investment plan of bidders in lieu of strictly cash bids, should also be considered.	Drafted policy paper on valuation & pricing issues, emphasizing recapitalization as a privatization criterion; internal presentations; application to two companies.	Complete policy paper and make presentation to PEO in the context of specific companies. Apply principles to all privatization-by-capitalization cases. Contrast DCF approach with balance sheet valuations prepared by the PEO.
<b>2.2</b> Investigate the feasibility of separating privatization decision-making authority from the operating management of the public enterprises and JVs.	Cabinet approved a privatization by capitalization technique.  Prepared recommendations for hiring investment promoters sought to increase role of PEO in decision-making.	Refinements to recapitalization concept  Policy paper to identify issues and recommend solutions
<b>2.3</b> Propose and advocate strategies to compensate private sector investment promoters, paying particular attention to the different ways that retainer and success fees could be financed.	Cabinet approved a LE 2 million fund to pay IP retainer fees.  Proposed draft contract for IP's  Prepared comments & recommendations on draft IP tender documentation.  Proposed criteria for selection of IP's.	Retain at least three IP's for the eight companies selected for use of promoters..  Prepare critique of draft contract proposed by PEO to IP's.
<b>2.4</b> Propose and advocate strategies to increase the incentives for owners of public enterprises to advocate and support privatization more strongly.	At request of PEO, addressed criticisms of privatization program in a paper on "predatory pricing" & competition policy.  Provided policy issues support to new public relations effort.	Incorporate policy recommendations in paper on privatization decision authorities
<b>2.5</b> Determine the significance of various international or multilateral commitments or agreements (such as WTO) on the operations of specific public enterprises and privatized companies, and use this information to assist the GOE in the development of appropriate privatization strategies.	Proposed work plan for trade specialist, emphasizing implications for textile sector.	Pursue trade implications in preparing a sectoral privatization concept for the textile sector.  Trade specialist to prepare an assessment of implications for

	<i>4th Qtr 2002</i>	<i>Next Qtr</i>
		privatization policy.
<b>2.6</b> Facilitate discussions, conduct a study, and advise the GOE on the liquidation of selected companies, while compensating fairly the employees and resolving debts in an economically and socially responsible manner, if requested.	Financial analysis relating to the eight companies chosen for “privatization by capitalization” will have direct implications for identifying companies that should be considered for liquidation.	In response to specific requests, if any.
<b>2.7</b> Work with the Central Audit Agency and other appropriate GOE authorities to achieve more flexible valuation and pricing policies, and more importantly, gaining greater acceptance of the importance of attracting investment capital and management expertise.	Raised preliminary valuation concerns with PEO, drafted paper on valuation and pricing policies.	Present concepts to PEO with reference to proposed valuation and tendering strategies for companies proposed for sale. Present if possible concepts to the CAA and other policy makers.
<b>Task Three: PR</b>		
Design a public awareness and public relations plan to increase the level of political and popular support for privatization.	Completed	Develop detailed work plan and gain PEO concurrence before implementation – planned for early Mar-2003
Develop plan in consultation with the PEO and delivered to the GOE before the end of 2002.	Completed	Continue exchange of ideas and comments with PEO with respect to follow-up
Launch program in early 2003.		Scheduled for early Mar-2003
Obtain input and agreement on the basic approach of the plan from either the Minister of Public Enterprise, Ministerial Privatization Committee, or office of the Prime Minister.	Provided high-level PR approach of which the PEO/MPE concurred; PEO requested a detailed work plan	Present a detailed work plan to PEO/MPE for concurrence
Conduct seminars and focus groups, and dissemination of information to targeted audiences.	Developed a draft work plan and questionnaire to be used by the facilitator	Two focus groups to address the state of privatization scheduled for late Jan-2003
Conduct meetings/focus groups with key constituencies (GOE, labor groups, HCs, industry & sector representatives)	Developed a draft work plan and questionnaire to be used by the facilitator	Implement work plan to include first round of focus groups scheduled for late Jan-2003
<b>Task Four: Monitoring and Reporting</b>		
Provide limited monitoring and reporting for public enterprises and privatization activities, covering primarily activities of the MPE, PEO, HCs and affiliate companies, JVs, other public enterprises, and banks and insurance companies.	Reported on HC and JV privatization activities as well as other relevant activities to include laws, transactions, economic and financial overview	Continue monitoring and reporting of privatization activities
Regular (at least weekly) translation and electronic dissemination of press articles.	Summarized and disseminated more than 100 newsprint articles	Continue with process to summarize and disseminate than newsprint articles

	<i>4th Qtr 2002</i>	<i>Next Qtr</i>
Quarterly privatization review disseminated via email and posted on a website.	Prepared and disseminated 2002 Third Quarter program report on website	Prepare and disseminate 2002 Fourth Quarter program report with changes to the reporting of transactions

## BENCHMARKS

Progress towards the benchmarks has been active and significant steps have been taken to increase the probability of achieving, if not, exceeding all five.

<b>Benchmarks</b>	<b>To be achieved Oct. 1, 2002 to Apr 30, 2003</b>	<b>Progress during period Oct 2002 to Dec 2002</b>
<b>Policy Benchmarks</b>		
Increased separation of privatization decision-making authority from public enterprise management. Overall, improved decision-making authority for transactions.	Identification of specific steps to make the transaction management and decision-making process easier and more successful.	Responsibility of selling more than 79 JV companies transferred to the MPE/PEO  Promoted the concept of pricing problem assets at adjusted book value
Increased acceptance by the GOE to use private sector investment promoters, especially to pay retainer fees.	At least three cases of investment promoters being retained by the GOE.	LE 2 million fund approved by Cabinet to support fees to retain IPs  Anticipate at least 3 investment promoters being selected and retained by HCs
<b>Political Support Benchmarks</b>		
Broad, high-level public relations plan, designed to increase public and political support for privatization, should be developed and delivered to the GOE.	Plan approved by the GOE, and rolled out.	Provided a high-level PR campaign of which the PEO/MPE supported to include public education and investor promotion
<b>Transaction Benchmarks</b>		
Number and value of transactions, including the total value of cash, installments, investment, debt resolution, and employee considerations included in the purchase agreement should increase.	At least seven transactions with a total transaction value of at least LE 250 mn.	4 transactions closed estimated at LE 217 million  Expect at least one transaction to close before Mar-31-2003, estimated at more than LE 50 million
Strategic importance and sectoral impact of transactions, particularly the size and the role of the public enterprise in each particular sector, and the impact of privatization on the increasing role of private enterprises in that sector.	Role of public sector in key sectors identified, calculated, and analyzed.	Identified and collected data on public enterprise companies in 27 identified sectors; information being analyzed

**DELIVERABLES**

The following deliverables were prepared and disseminated to HCs, affiliates, and the PEO. In addition to the specific deliverables called Minutes of Meetings, PIP attended more than 30 high-level meetings with various GOE and private organizations, including the MPE, MIC, PEO, HCs and affiliates, as well as business associations, investors, and embassy commercial attachés.

Document	Company Name	Date	Document title
Company Profile	<i>Alex Refractories</i>	18-Nov-02	AlexRefractories Company Profile.doc
Company Profile	<i>NEEASAE</i>	04-Nov-02	NEEASAE profile print.doc
Company Profile	<i>MIRATEX</i>	15-Dec-02	Miratex profile.doc
Diagnostic Report	<i>Alex Refractories</i>	30-Oct-02	Alex Refractories Diagnostic.doc
Fact Sheet	<i>Abou Tartour Phosphate Project</i>	14-Nov-02	Abu tartur Fact Sheet dft .doc
Fact Sheet	<i>SEMAF</i>	29-Dec-02	Semaf fact sheet .doc
Information Memorandum	<i>Cairo Far East Bank</i>	07-Oct-02	CFEB-draft.doc
Information Memorandum	<i>El Fayoum For Food Security</i>	03-Oct-02	Al Fayoum for Food Security.pdf
Information Memorandum	<i>Misr Iran Spining &amp; Weaving</i> <i>MIRATEX</i>	30-Oct-02	Miratex infomemo3.doc
Information Memorandum	<i>NEEASAE</i>	15-Nov-02	Neaasa Report6.doc
Minutes of Meetings	<i>Marketing &amp; Investor Outreach</i>	24-Nov-02	Sheikh Ahmed Meeting minutes .doc
Minutes of Meetings	<i>Misr Clay Bricks Co.</i>	20-Nov-02	Misr Clay Brick MM .doc
Minutes of Meetings	<i>P.E.O</i>	12-Dec-02	PRProposal meeting memo.doc
Minutes of Meetings	<i>P.E.O</i>	12-Dec-02	finalpeomeetingsummary.doc
Minutes of Meetings	<i>Abou Tartour Phosphate Project</i>	15-Nov-02	Min of Ind Dft ltr to Chinese Embassy.doc
Minutes of Meetings	<i>Abou Tartour Phosphate Project</i>	18-Nov-02	Abu Tartur Min of Ind .doc
Minutes of Meetings	<i>Abou Tartour Phosphate Project</i>	24-Nov-02	Min of Ind ltr 11-24-02 auxilliary services.doc
Other	<i>Others</i>	22-Oct-02	LAW 203 DATABASE-PIP.xls
Policy Memorandum	<i>NEEASAE</i>	08-Oct-02	Captilization model.xls
Policy Memorandum	<i>Others</i>	07-Nov-02	Valuation & pricing issues.doc
Policy Memorandum	<i>Others</i>	30-Oct-02	Impact of Privatization Program on the Egyptian Economy Conference .doc
Policy Memorandum	<i>P.E.O</i>	29-Oct-02	IP selection criteria.doc
Policy Memorandum	<i>P.E.O</i>	29-Oct-02	PEO - IP cover letter.doc
Policy Memorandum	<i>P.E.O</i>	16-Nov-02	Recap concept ltr PEO dft .doc



Document	Company Name	Date	Document title
Policy Memorandum	<i>P.E.O</i>	19-Nov-02	Public Relations Proposal.doc
Policy Memorandum	<i>P.E.O</i>	31-Dec-02	Privatization Data to PEO-Reporting.xls
Policy Memorandum	<i>Public Relations Work-plan presentation</i>	Dec-02	DecPEOPresentation.ppt
Pre-diagnostic Report	<i>Kom Hamada Spinning</i>	10-Dec-02	Kom Hamada Capitalization - PreDR - .xls
Tender document	<i>Egyptian Glass Co.</i>	02-Dec-02	EGC Tender announcement2.doc
Tender document	<i>P.E.O</i>	07-Nov-02	IP tender contents.doc
Valuation Reports	<i>NEEASAE</i>	18-Dec-02	NEEASEA Valuation Corresponds .doc
Valuation Reports	<i>Misr Clay Bricks Co.</i>	09-Dec-02	Misr Bricks Valuation Newest Restructuring scenario Q3 .xls
Valuation Reports	<i>Misr Clay Bricks Co.</i>	10-Dec-02	Misr Brick Valuation As Is scenario (breakeven) .xls
Valuation Reports	<i>Misr Clay Bricks Co.</i>	12-Dec-02	Misr Clay Bricks - Appendix B - Q3 .doc
Valuation Reports	<i>Misr Clay Bricks Co.</i>	16-Dec-02	Misr Clay Bricks - Appendix B - Q3 (Arabic) .doc

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Company Profile	3
Diagnostic Report	1
Fact Sheet	2
Information Memorandum	4
Minutes of Meetings	7
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Policy Memorandum	9
Pre-diagnostic Report	1
Tender document	2
Valuation Reports	5
Total	35

## BUDGET PIPELINE

A separate report provides an analysis of estimated costs accrued and billed to include a breakout of the estimated level of resources allocated to Task One – Transaction Support. This report will be available February 13, 2003.

**TEAM MEMBERS AND THEIR RESPECTIVE TITLES AND TASKS**

The following is a list of all employees and their relationship to active tasks. The organizational chart provides an overview of the project's structure.

	First Name	Last Name	Title	LT/ST/ Admin	Start date	Primarily supports
Mr.	Richard	Moss	COP	LT	10/1/2002	COP
Mr.	Monty	Palmer	Project oversight	ST	10/1/2002	Project Mgt
Mr.	Richard	Burns	Privatization / IB Specialist	ST	10/1/2002	Project Mgt
Ms.	Tessie	San Martin	Project oversight	ST	10/1/2002	Project Mgt
Mr.	Hisham	El Adl	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Mahmoud	Soheim	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Michel	Clerin*	Investment Banker	LT	10/1/2002	Task 1
Mr.	Said	Mostafa	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Sherif	Korayem	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Mohamed	Rabie	Privatization Specialist	ST	10/1/2002	Task 1
Mr.	Richard	Dangay	Privatization Specialist	ST	11/10/2002	Task 1
Mr.	Emad	Moursy Mohamed	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Mr.	Fouad	Abdel Wahab	Privatization Specialist - Senior	LT	10/1/2002	Task 1 & 2
Ms.	Hend	Taha	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Ms.	Laure	Darcy	Privatization / IB Specialist	ST	10/1/2002	Task 1 & 2
Mr.	Mohamed	Ragui	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Mr.	Bruce	MacQueen	Privatization Advisor	ST	10/15/2002	Task 2
Ms.	Hoda	Howeidy	Public Awareness Specialist	LT	10/1/2002	Task 3
Mr.	Chris	Homan	Public Relations Specialist	ST	10/27/2002	Task 3
Ms.	Dalia	Wahba	Public Awareness Specialist	ST	10/1/2002	Task 3
Ms.	Rania	Rashed	Public Awareness Specialist	ST	1/29/2003	Task 3
Mr.	Torence	Holmes	Chief Operations Officer	LT	10/1/2002	Task 3, 4 & Mgt
Ms.	Nevine	Lotfi	Privatization Specialist	LT	10/1/2002	Task 4
Ms.	Safaa	Sabry	Database Manager	LT	10/1/2002	Task 4
Ms.	Sarah	Mubarak	Intern	LT	10/1/2002	Task 4
Mr.	Adel	Hamid Saeid	Driver / Messenger	Admin	10/1/2002	Operations
Mr.	Ahmed	Mohamed Adam	Driver / Messenger	Admin	10/1/2002	Operations
Mr.	Mahmoud	El-Shafeii	Driver / Messenger	Admin	10/1/2002	Operations
Mr.	Yasser	Youssry Al-Sayed	Driver / Messenger	Admin	10/1/2002	Operations

	First Name	Last Name	Title	LT/ST/ Admin	Start date	Primarily supports
Mr.	Sayed	Abdel Gawad	Driver / Supervisor	Admin	10/1/2002	Operations
Ms.	Heba Tellah	Adel Hashish	Executive Secretary	Admin	10/1/2002	Operations
Mr.	Sherief	El-Banna	Logistics Administrator	Admin	10/1/2002	Operations
Mr.	Mohamed	Mostafa	Network (IT) administrator	Admin	10/1/2002	Operations
Mr.	Adel	Said Ahmed	Office Assistant	Admin	10/1/2002	Operations
Mr.	Nader	Ahmed Aly	Office Assistant	Admin	10/1/2002	Operations
Mr.	Taha	Aboul Saoud Fahmy	Office Assistant	Admin	10/1/2002	Operations
Ms.	Wessam	El-Niazy Hammad	Project Accountant	Admin	10/1/2002	Operations
Ms.	Rasha	Reda Farid	Project Administrator	Admin	10/1/2002	Operations
Mr.	Ahmed	Rashad Mohamed	Security / Office Assistant	Admin	10/1/2002	Operations
Mr.	Tarek	Mohamed Mahmoud	Security / Office Assistant	Admin	10/1/2002	Operations
<b>Additions to the PIP team scheduled for the next quarter</b>						
Mr.	Ayman	Taha	Privatization Specialist	LT	1/29/2003	Task 1
Mr.	David	Cameron	Investment Banker	ST	1/29/2003	Task 1

\* Michel Clerin left the project November 14, 2002.

